

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|------------------------------------|---|-----------------|
| APPLICATION OF KENTUCKY-AMERICAN |) | |
| WATER COMPANY FOR AN ORDER |) | |
| AUTHORIZING THE ISSUANCE AND SALE |) | |
| OF ITS GENERAL MORTGAGE BONDS, |) | |
| 7.21% SERIES, DUE DECEMBER 1, 2002 |) | |
| IN THE PRINCIPAL AMOUNT OF |) | CASE NO. 92-451 |
| \$13,000,000 AND FURTHER AUTHORIZ- |) | |
| ING THE ISSUANCE AND SALE OF |) | |
| 83,139 SHARES OF ITS COMMON STOCK |) | |
| FOR AN AGGREGATE CONSIDERATION |) | |
| OF \$2,500,000 |) | |

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file an original and six copies of the following information with this Commission, with a copy to all parties of record, within 10 days from the date of this Order. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Describe the analysis performed to assure the issuance through a private placement is more cost effective than a public offering.

2. Kentucky-American has accounted for approximately \$3.48 million of the proposed \$15.5 million issuance at page 3, item 8, of its application. Specifically, how will the remaining \$12.02 million be applied?

3. Provide a summary of construction expenditures indicating total cost of routine construction and by major project and the time period during which the cost occurs.

4. Explain the rationale for the redemption of the 9-7/8 percent Series bonds. Provide an analysis using net present value. Show the maximum rate at which the refinancing would have been cost effective.

5. Explain the rationale for the planned redemption of 10 percent Series bonds. Provide an analysis using net present value. Show the maximum rate at which the refinancing would be cost effective.

6. Explain how the selected issuances were chosen for redemption. What other outstanding issuances were considered? Why were they not chosen?

7. How did Kentucky-American determine the price per share to be paid for its common stock?

8. Provide a breakdown of the expected issuance expenses from the sale of the proposed securities.

9. Provide a comparative analysis of the impact on Kentucky-American's revenue requirements and capital structure of the planned redemption and issuance of securities.

Done at Frankfort, Kentucky, this 1st day of December, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director